

Library Visit 11/6/2024

Today during my library visit, I have spoken to Net spend All Access, in regards to my closed account, and updating my personal email address on one of my active accounts. Besides from this I have brought my Accounting 101 book by Michele Cagan, CPA. In my notes today I will discuss the accrual method, and cash method of accounting and looking at different financial reports, of three financial intuitions American Express, Bank of America, and Chase.

According to Investopedia, it gives the definition of the accrual method as the following: Accrual accounting is a financial accounting method that allows a company to record revenue before receiving payment for goods or services sold and record expenses as they are incurred. The same website states the definition for cash method as follows: Cash accounting is an accounting method where payment receipts are recorded during the period in which they are received, and expenses are recorded in the period in which they are actually paid. In other words, revenues and expenses are recorded when cash is received and paid, respectively.

American Express

I have looked up the annual report for American Express. Based off their financials they have a liquidity ratio of **1.12038995756**. They have a debt ratio of **0.89254637927**. I have also looked up their customer deposits, and found the following information.

Savings and Transaction Accounts: 93,722

Certificate of Deposit (Direct): 5,557

Note:

The Amounts are expressed in millions. These amounts eventually become lending amounts to individuals, seeking credit cards and personal loans etc. I would have to reach out to their investor relations department directly, to learn more about how they use their liquid assets in the event a customer defaults on a lending product, or if they use the accrual method of accounting.

Bank of America

I have looked up the annual report for Bank of America. Based off their financials they have a liquidity ratio of **3.01798844488**. They have a debt ratio of **0.3313465304**. Their total deposits were 1,923,827.

Note:

I didn't do Chase Bank in this report, however based off the information from American Express and Bank of America; I see that Bank of America has a higher liquidity ratio. This can be used to, cover its short term debt. My questions that I have in this scenario is do these banks utilize the accrual method of accounting, especially for their total deposits? Also financial

institutions with higher liquidity ratios, how does this affect someone who takes out debt?